



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2368 (1924)

September 23, 1991

SUBJECT: Utilization of Credit and Financial Analysis
Worksheets and Techniques on Insured Farmer Programs
Loans

TO: State Directors, District Directors, and County
Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to implement, effective October 1, 1991, the concepts and analysis techniques introduced at the Credit and Financial Analysis training in St. Louis, Missouri.

The intended outcome of the AN is to improve the probability of financial success for insured borrowers. It is also intended that the use of the Credit and Financial Analysis Worksheets will be the required documentation in the borrower's case file supporting all loan making and servicing actions.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued on this subject.

This AN is being issued to implement the policy decision of the Administrator to use this technique to improve the Agency's supervised credit program which should increase the success ratio of farm borrowers.

IMPLEMENTATION RESPONSIBILITIES:

The 1990 Food, Agricultural, Conservation and Trade Act directed FmHA to train its employees on Credit and Financial Analysis and Farm Management to ensure adequate and effective supervision of farm borrowers. The training in Credit and Financial Analysis is designed to begin the process of meeting the Congressional mandates.

EXPIRATION DATE: September 30, 1992

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1924-B



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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

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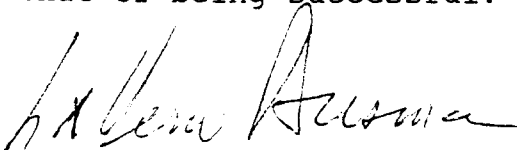
We must now proceed towards this objective through (1) the identification, analysis and documentation of the specific financial strengths and weaknesses of each farming operation, and (2) effective communication with borrowers to ensure that specific financial management practices necessary to reverse unacceptable trends are addressed as part of the Key Management Practices on Form FmHA 431-2, Farm and Home Plan and in loan conditions set forth on Form FmHA 1940-1.

Each loan or servicing application must be analyzed, applying the analysis techniques introduced at the training sessions by completing the Capital Management, Historical Performance, and Annual Performance Worksheets to assist in documenting your analysis. You should make copies of the worksheets distributed at the training session as needed to complete your analysis. The running case record should succinctly address the issues identified and set forth proposed resolutions that you and the borrower have agreed to.

As high risk credit experts experienced in working with distressed financial situations, you are in the unique position to assist borrowers in identifying and addressing negative trends before they become so serious as to threaten failure of the borrower's operation. Therefore, you should discuss the results of your analysis with each borrower and set forth the conditions necessary to reverse the negative trends. If the trends are irreversible, the borrower must be counselled concerning the high probability and consequences of failure. The borrower must also be advised that the Agency will be unable to continue to provide credit.

Intensifying our supervised credit role is an immediate need. Additional tools, especially in the automation area, are being developed and will be provided as rapidly as they can be developed and tested.

This is a great opportunity to help financially distressed families make the turnaround necessary to be successful. You can be proud of your involvement in helping the Agency meet its responsibility of returning borrowers in financial difficulty to that of being successful.



LA VERNE AUSMAN
Administrator

Sent by time delay option to States at 4:00 pm on 9/26/91;
to Districts at 9:00 am on 9/27/91; and to Counties at
11:00 am on 9/27/91 by GSS.